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DEPARTMENT OF AUDITOR-CONTROLLER**

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June 26, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PROJECT ANGEL FOOD CONTRACT REVIEW - A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS CARE SERVICES PROVIDER**

We completed a fiscal review of Project Angel Food (Agency), a Department of Public Health (DPH) HIV/AIDS care services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with the Agency to prepare and deliver meals to HIV/AIDS program participants. The Agency is located in the Third District.

At the time of review, the Agency had one cost reimbursement contract with OAPP. The Agency received \$145,017 in OAPP funds from March 1, 2007 to February 29, 2008.

Purpose/Methodology

The purpose of our review was to ensure that the Agency appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS

Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

The Agency appropriately recorded and deposited cash receipts timely into the Agency's bank account. However, the Agency did not always comply with County contract requirements. Specifically, they did not track OAPP related expenditures separately, but allocated expenditures to the OAPP program based on the ratio of the OAPP clients served to the total number of clients served. The Agency also did not provide sufficient documentation to ensure that the expenditures allocated to the OAPP program were appropriate.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with the Agency management. In their attached response, the Agency disagreed that they should account for OAPP expenditures separately. The County contract indicates that program expenditures billed to OAPP need to be clearly identified by the Agency's accounting records. OAPP will work with the Agency to ensure that the Agency's accounting records comply with the County contract requirements.

The Agency also included several attachments to their response that we did not include due to the volume of documents. Copies of the attachments are available upon request.

We thank Project Angel Food for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
John Gile, Executive Officer, Project Angel Food
Public Information Office
Audit Committee

**HIV/AIDS CARE SERVICES
PROJECT ANGEL FOOD
FISCAL YEAR 2006-07 AND 2007-08**

ELIGIBILITY

Objective

Determine whether Project Angel Food (Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 15 (7%) of 222 program participants that received services from March 2007 to February 2008 for documentation to confirm the participants' eligibility for OAPP services.

Results

The Agency maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's bank reconciliations for December 2007 for two bank accounts.

Results

The Agency appropriately recorded and deposited OAPP payments timely to the Agency's bank accounts. In addition, the Agency reconciled its bank accounts monthly. However, management did not review and approve the bank reconciliations.

The contract requires the Agency to charge clients a fee based on their ability to pay. The Agency did not have a client fee determination system as required by the contract. The Agency needs to obtain OAPP approval when it develops the client fee determination system.

Recommendations**Agency management:**

1. **Ensure bank reconciliations are reviewed and approved by management.**
2. **Establish and implement a client fee determination system and ensure that it is reviewed and approved by OAPP.**

EXPENDITURES**Objective**

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed documentation for non-payroll expenditure transactions charged to OAPP.

Results

The Agency did not track OAPP program expenditures separately from the Agency's overall operating expenditures. The Agency allocated a percentage of their total operating expenditures to the OAPP program based on the ratio of OAPP clients to total clients serviced by the Angel Food. However, the Agency did not provide documentation to support the percentage of expenditures allocated to OAPP. As a result, we were not able to verify that the expenditures charged to OAPP were appropriate.

Recommendations**Agency management:**

3. **Maintain documentation to support expenditures charged to the OAPP program.**
4. **Account for expenditures by program.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as the Agency did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced a sample of payroll expenditures and employee benefits for all four of the Agency's program employees. We also reviewed the four employees' personnel files.

Results

The Agency did not maintain adequate documentation to support the payroll expenditures billed to OAPP. Specifically, the Agency did not require staff to report their actual hours worked on the OAPP contract. In addition, three of four employee timesheets sampled were not signed by the employee and their supervisor.

Recommendations

Project Angel Food management:

- 5. Ensure payroll billings are supported with time reports that report actual hours worked on the program.**
- 6. Ensure timesheets are signed by the employee and approved by supervisory personnel.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from March 2007 to December 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously discussed, the Agency's Cost Allocation Plan did not provide sufficient detail to ensure the expenditures allocated to the OAPP program were appropriate.

Recommendation

Refer to Recommendations 3, 4 and 5.



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October 17, 2008

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RE: Management Response - Auditor-Controller Contract Review
Office of AIDS Policy & Planning (OAPP)
3/1/07 through 2/29/08

ELIGIBILITY

No audit findings; no management response

CASH/REVENUE

1.) Management has instituted bank reconciliations for all accounts effective March 2008, reviewed by CEO as evidenced by initials on statements and reconciliation.
2.) Project Angel Food (PAF) donations cover 100% client costs, therefore Angel Food does not charge a client fee for service. As such Angel Food has no client fee determination system. However, to satisfy OAPP, Angel Food has drafted a Memorandum for Client Fee System (attached exhibit "A - Client Fee"). PAF anticipates appealing to OAPP program administration for a waiver hereafter.

EXPENDITURES

3 + 4.) Angel Food maintains one sole program "meal service." Angel Food does not use Fund Accounting; only government sources of funding, which account for less than 8% total gross revenues (consistently for past five years and beyond), require break-out of expenses against specified sources of revenue (i.e., fund accounting as required by OAPP). Management considers tracking individual expenses broken-out from sole program "meal service" unjustifiably cumbersome and excessively costly (estimate an entire NEW FTE expense to do so). Audit finding has been repeatedly noted and addressed by Angel Food management as unattainable in years prior.

However, all expenses and invoiced items are fully documented with all needed back up and costs are allocated based on OAPP pro-rata share of entire "meal service" expense which OAPP has accepted in past audits as practical and justifiable compromise.

for Life, for Love, for as long as it takes

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10/28/08

FIXED ASSETS and EQUIPMENT

None

PAYROLL AND PERSONNEL

5 + 6.) Based on most recent PLAN OF CORRECTIVE ACTION (issues 1/29/08), management has instituted a formal signed verification of time allocated to OAPP for each staff charged to OAPP contract (see exhibit "B" and samples "B")

7.) "... Employee timesheets did not always support the hours shown in the payroll register..."

-- Management Response: standard agency policy/ protocol is whenever timesheets are incomplete, back-up documentation "Employee Absence Report" and/ or "Missed Punch Report" must be completed by staff and authorized by Supervisor. For all payroll costs for which Auditor-Controller was "unable to verify the appropriateness of payroll costs billed to OAPP" please see attached packet of documentation substantiating attendance and thus charges (see exhibits marked "C") "Agency charged OAPP \$1,049 in payroll costs for one employee. However, the Agency did not provide a time report or timesheet that showed the employee worked on the OAPP program..."

-- Management Response: employee in question is salaried management-level staff and therefore "Exempt" from time-clock/ timesheets. However, to address OAPP concern the Director of Human Resources has submitted an affidavit verifying employee-in-question's time worked and allocated to OAPP (see exhibit "D").

COST ALLOCATION PLAN

Agency does not charge pooled costs nor administrative costs for which an allocation plan would be applicable to OAPP. All costs from the "meal service" program that allocated to OAPP are based on pro-rata share of all total clients as substantiated by AIMS software system (client census tracking database). Again, as identified above "Payroll..." section, Angel Food uses pro-rata share of OAPP clients served to total clients (for which OAPP share far exceeds the allocation percentage per budgeted amount.....)

CONTROLLER-AUDITOR RECOMMENDATIONS

* see exhibits and samples attached; further OAPP contract with PAF does not contain any pooled-costs; only direct labor and supplies attributed to clients served

--[end]--

Sincerely,



Benjamin Stilp
Chief Financial Officer

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